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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001579

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TAGS: PREL PGOV IS

SUBJECT: POLICE REPORTEDLY CLOSE TO RECOMMENDING INDICTMENT
OF FOREIGN MINISTER LIBERMAN

REF: A. TEL AVIV 01437
B. TEL AVIV 01337

Classified By: DCM Luis G. Moreno for reasons 1.4 (b),(d).

¶1. (C) SUMMARY. The Israeli press reported on July 15 that police are nearing a decision to recommend to Attorney General Menachem Mazuz that he indict Foreign Minister and Yisrael Beitenu Chairman Avigdor Liberman on money laundering and fraud charges. Following such a recommendation, we expect Mazuz to examine the evidence, hold a hearing with Liberman, and render a decision within a few months. If indicted Liberman would not be required by law to resign, but most insiders expect that he would do so. Liberman's dominance of his party makes it difficult to determine who would lead the party following his departure, but we expect he would maintain considerable influence. Prime Minister Binyamin Netanyahu probably would work to keep Yisrael Beitenu in his coalition if Liberman resigned, but Israeli political insiders have predicted for months now that if Liberman has to give up the foreign affairs portfolio, then Netanyahu would use the opportunity to try to entice all or part of Kadima to join his government. End Summary.

POLICE NEARING RECOMMENDATION TO INDICT

¶2. (C) Leading Israeli daily Yediot Achronoth reported on July 15 that Israeli police investigators within days are expected to submit to the State Attorney's office a recommendation to indict Foreign Minister and Yisrael Beitenu head Liberman. Informed sources confirmed to Embassy contacts the same day that the police feel very strongly about the evidence they have built against Liberman. The Yediot report noted that the police would recommend charges of money laundering and acquisition through fraudulent means, but no final decision by the police has been made with regard to bribery or obstruction of justice charges. A recommendation from the police does not necessarily mean an indictment will be issued. The Attorney General after receiving such a recommendation would review the evidence and then would be required to hold a hearing with Liberman. Some legal experts predict it could take as long as six months for Attorney General Mazuz to make a decision, but he reportedly plans to leave his post this fall and we anticipate that he would make a decision on an indictment before stepping down.

PROSPECTS FOR RESIGNATION IF INDICTED

¶3. (C) Liberman has not commented publicly on recent developments in the case, but in the past he has dismissed the accusations against him and called for an expeditious termination of the investigation. Furthermore, he has not indicated what he would do if indicted, as Israel's Basic Law does not require a Minister to resign under such circumstances (a Minister would have to resign, however, following a conviction of a crime involving "moral turpitude"). The consensus among Israel's political elite is

that having the position of Foreign Minister filled by someone under indictment would be unacceptable politically, and they anticipate that Liberman would resign. Some, including Zalman Shoval, a former Israeli ambassador to the U.S. and an informal foreign policy adviser to Netanyahu, have told us they believe that Liberman could resign following a police recommendation to indict, but before a formal decision by Mazuz. There is also a scenario described by some insiders in which Liberman could use a dispute with Netanyahu as an excuse to resign over principle rather than being forced out by criminal indictment.

YISRAEL BEITENU WITHOUT LIBERMAN

¶4. (SBU) Yisrael Beiteinu is unquestionably dominated by Liberman, and his resignation as a minister (and presumably as a member of the Knesset) would almost certainly lead to a leadership vacuum within the party. Because the party has existed for only a few years, and because Liberman's leadership has been so thorough and unchallenged, it is difficult to determine with any confidence how the party's next leader would be chosen and who would be that leader. Deputy Foreign Minister Danny Ayalon would seem to be a suitable candidate to become the party's new leader in the Knesset, but Liberman could be reluctant to have a potential political rival lead the party in his absence. In any case, we would expect Liberman out of office to continue to exercise considerable influence on the party behind the scenes.

COALITION SHAKEUP POSSIBLE COULD FOLLOW RESIGNATION

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¶5. (C) A Liberman indictment would leave Netanyahu with several options to maintain a large coalition. Netanyahu probably would work to keep Yisrael Beiteinu in the coalition, citing a reported agreement he reached with Liberman during coalition negotiations that if the latter were indicted his party would remain in the government. Alternatively, Netanyahu could use a vacated Foreign Minister post to entice all or part of Kadima to join him. As reported in reftels, Netanyahu for some time has been working to encourage and facilitate former Likud Defense Minister Shaul Mofaz to split off from Kadima with some of his allies. Netanyahu reportedly enjoys the support of Defense Minister and Labor Party leader Ehud Barak for his efforts to bring Mofaz into the coalition. Mofaz appears to have balked thus far due to the absence of a meaningful ministerial post and Knesset rules discouraging party splits. Liberman's departure, combined with legislation expected to pass in the coming months that would ease party defections, could prompt Mofaz to switch parties. Netanyahu also could use Liberman's departure to attempt once again to entice Livni into bringing all of Kadima into the coalition. An expanded Foreign Minister portfolio, along with the possible departure of one or more right-wing parties from the coalition, could provide Livni with the political cover needed to justify a decision to join the government, though her poor personal relations with Netanyahu and her aspirations to become prime minister weigh heavily against such a decision.

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